MINUTES OF FINANCIAL INFORMATION WORKSHOP OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUGUST 1, 2012:

A Financial Information Workshop meeting of the Board of Directors of the Palmdale Water District was held Wednesday, August 1, 2012, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Gordon Dexter, called the meeting to order.

1) Pledge of Allegiance.

President Dexter led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Gordon Dexter, President	Dennis LaMoreaux, General Manager
Gloria Dizmang, Vice President	Tim Gosney, Attorney
Kathy Mac Laren, Treasurer	Mike Williams, Finance Manager
Robert Alvarado, Secretary	Matt Knudson, Engineering Manager
	Peter Thompson II, Operations Manager
Steve Cordova, Director --	Tim Moore, Facilities Manager
EXCUSED ABSENCE	Bob Egan, Financial Advisor
	Dennis Hoffmeyer, Senior Accountant
	Randy Hardenbrook, Equipment Mechanic Spvsr.
	Dawn Deans, Executive Assistant
	1 member of the public

3) Adoption of Agenda.

It was moved by Director Mac Laren, seconded by Director Dizmang, and unanimously carried to adopt the agenda, as written.

4) Presentations:

4.1) Overview of the District's Financial Reporting Procedures and Budget Objectives and Projects. (Finance Manager/CFO Williams/Financial Advisor Egan)

President Dexter clarified that no action can be taken this evening after which General Manager LaMoreaux reviewed the formation of the District as an independent enterprise special district; the difference between the District's source of revenue compared to other types of agencies; the District's Strategic Plan, Mission Statement, Strategic Elements, Core Values, and updating the Strategic Plan; how the budget relates to the Strategic Plan and budget expenditures; the Board's role of setting policy to guide the

District; transparency through adoption of the budget; and the budget and budget control guidelines followed by clarification of irrigation and water districts under Division 11 of the Water Code and applicable Government Codes, the Board's responsibility for financial oversight through the budget, Board approval of contracts and staff conferences, budget transfers, the Reserve Policy, redevelopment agency funds, and District memberships.

Financial Advisor Egan then reviewed in detail the District's investment funds report and cash flow report as of June 30, 2012 followed by clarification of capital improvement projects, debt reserves, projected year-end cash, and grants.

At 8:12 p.m., President Dexter called for a four-minute recess. He reconvened the workshop at 8:16 p.m.

Finance Manager/CFO Williams reviewed in detail the relation between the budget and the balance sheet, profit and loss statements, funds analysis reports, year-to-year comparisons, year-to-date revenues, year-to-date expenses, and how these reports measure District performance in relation to the budget followed by discussion of Department expenses being only at 40% as of June 30, 2012, water recovery, the reduction in reserves of $1.4 million adopted in the 2012 budget, the projected increase in year-end cash over the 2012 budget, credits issued for the tier adjustment, budget transfers, depreciation, and the factors reviewed on a monthly basis to determine spending.

Facilities Manager Moore then provided a detailed review of measures taken by the Facilities Department to reduce costs followed by discussion of zero-based budgeting and how all District departments are saving money.

Operations Manager Thompson then provided a detailed review of measures taken by the Operations Department to reduce costs followed by discussion of interruptible rates, staff's adaptability to reducing costs, providing back-up materials for cost reductions, and staff's willingness to assume additional responsibilities in addition to regular duties to further reduce costs.

Director Alvarado them recommended actual cost savings by department be conveyed to the District's customers.

Financial Advisor Egan then provided an overview of the District's 1998 and 2004 bonds, refinancing opportunities and the benefits to reserves, and monies owed the general fund by the capital improvement fund followed by discussion of year-end cash and methods for increasing this amount.

The Board then thanked staff for the information presented this evening.

5) Board Members Requests for Future Agenda Items.

Director Dizmang stated that she will provide requested future agenda items in writing.

There were no further requests for future agenda items.

6) Adjournment.

There being no further business to come before the Board, the meeting was adjourned.

Robert E. Abrams

Secretary